

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 DODE-00 NSAE-00 TRSE-00 ERDA-05

CIAE-00 COME-00 /019 W

----- 112266

R 040847Z APR 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9170

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E.O. 11652: N/A

TAGS: ESTC ETRD JA

SUBJ: U.S. EXPORT CONTROLS ALLEGED INTERRUPTING MITSUBISHI
ELECTRIC COMPUTER PRODUCTION

SUMMARY. ACCORDING TO OFFICIALS OF MITSUBISHI ELECTRIC CORPORATION, U.S. SUPPLIER OF COMPONENT ESSENTIAL TO ITS COMPUTER SYSTEMS AS HAD EXPORT PRIVILEGES SUSPENDED BY COMMERCE'S OFFICE OF EXPORT ADMINISTRATION (OEA) RESULTING IN COSTLY INTERRUPTION OF MITSUBISHI COMPUTER PRODUCTION. MITSUBISHI SEEKS ASSISTANCE IN RESOLVING SITUATION. END SUMMARY.

1. ACCORDING TO PURCHASING REPRESENTATIVES OF MITSUBISHI ELECTRIC CORPORATION, PRODUCTION AND SALE IN JAPAN OF ITS MELCOM COMPUTER SYSTEMS HAS BEEN INTERRUPTED BY THE UNAVAILABILITY OF AN ESSENTIAL COMPONENT FROM UNITED STATES. MITSUBISHI'S U.S. SUPPLIER, INFORMATION MAGNETICS CORP. (INFOMAG) OF GOLETA, CALIFORNIA HAS HAD EXPORT PRIVILEGES SUSPENDED BY AN ORDER OF COMMERCE'S OFFICE OF EXPORT ADMINISTRATION (OEA) SINCE DECEMBER 2, 1974. ORIGINAL 60 DAY SUSPENSION REPORTEDLY HAS BEEN EXTENDED TWICE, FIRST FOR 45 DAYS AND AGAIN ON MARCH 17 FOR ADDITIONAL 60 DAYS (TOTAL: 165 DAYS), PENDING OEA'S INVESTIGATION OF ALLEGED VIOLATIONS OF U.S. EXPORT CONTROL REGULATIONS BY INFOMAG.

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2. UNDER CONTRACT WITH MITSUBISHI, INFOMAG DEVELOPED

AND COMMENCED PRODUCTION OF CARTRIDGE DISK DRIVE ASSEMBLY (LINEAR MOTOR, TYPES 44 AND 46 WITH MAGNETIC HEADS, TYPES R2200 AND R2200 NT, FOUR HEADS TO EACH MOTOR) WHICH IS ESSENTIAL TO OPERATION OF SEVERAL OF ITS COMPUTER SYSTEMS, OF WHICH MITSUBISHI IS THE EXCLUSIVE PURCHASER AND FOR WHICH MITSUBISHI HAS NO ALTERNATIVE SOURCE. SUSPENSION OF INFOMAG'S EXPORT PRIVILEGES HAS THUS INTERRUPTED MITSUBISHI'S PRODUCTION AND SALES OF COMPUTER SYSTEMS. LOST SALES FROM DEC. 2 TO DATE ARE ESTIMATED IN EXCESS OF \$5 MILLION.

3. ORIGINAL "TEMPORARY" INTERRUPTION OF SUPPLY FROM INFOMAG DUE TO SUSPENSION OF EXPORT PRIVILEGES CAUSED CONCERN, BUT MITSUBISHI OFFICIALS DECIDED THEY COULD WAIT OUT THE SITUATION. REPEATED EXTENSIONS OF SUSPENSION ORDER, HOWEVER, RAISE PROSPECT OF INDEFINITE INTERRUPTION OF THEIR COMPUTER PRODUCTION. MITSUBISHI OFFICIALS ASKED EMBASSY ASSISTANCE IN SEEKING LIFTING OR MODIFICATION OF ORDER SUSPENDING INFOMAG'S EXPORT PRIVILEGES WHICH WOULD PERMIT SHIPMENT TO IT OF DISK DRIVE ASSEMBLIES, ARGUING THAT MITSUBISHI HAD NO CONNECTION WITH INFOMAG TRANSACTION BEING INVESTIGATED BY OEA AND SHOULD NOT BE PUNISHED THEREFOR. MITSUBISHI IS WILLING TO COMPLY WITH END USE INSPECTION BY EMBASSY STAFF AT ANY TIME, THEY SAID.

4. EMBASSY IS NOT FAMILIAR WITH CIRCUMSTANCES ATTENDING SUSPENSION OF INFOMAG'S EXPORT PRIVILEGES. HOWEVER, IN VIEW OF MAGNITUDE OF MITSUBISHI ELECTRIC CORP'S TOTAL PURCHASES FROM U.S. (ESTIMATED AT \$100 MILLION ANNUALLY), WASHINGTON AGENCIES MAY WISH TO CONSIDER THIS FACTOR IN WEIGHING INTERESTS INVOLVED IN INFOMAG SANCTIONS.

5. ACTION REQUESTED: EMBASSY WOULD APPRECIATE RECEIVING INFORMATION ON WHICH TO BASE RESPONSE TO MITSUBISHI.
SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPUTERS, EXPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TOKYO04417
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750118-0023
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750479/aaaactxo.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2003 by BoyleJA>; APPROVED <14 NOV 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. EXPORT CONTROLS ALLEGED INTERRUPTING MITSUBISHI ELECTRIC COMPUTER PRODUCTION
TAGS: ESTC, ETRD, JA, US, MITSUBISHI ELECTRIC CORP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006